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ABSTRACT

Five discussion topics concerning peace were dealt with by conference participants, who included university faculty and officials from national and international agencies and organizations. The first topic, North-South relations and international security, considers U.S. security and the Third World, U.S. economic interests in the developing world, U.S. policies and North-South relations, and the role of the private sector in international relations. Topics in the second discussion series, energy and U.S. security, include the status of the U.S. energy policy; market versus government; political and strategic context of international oil; energy emergencies and U.S. responses; long-range U.S. energy development; and energy, U.S. foreign policy, and alliance cohesion. The third topic, U.S. nonproliferation strategy, emphasizes U.S. policies and the international nonproliferation regimes. The fourth topic, military competition in space, focuses on U.S. military interests and vulnerabilities in space, U.S. interests in antisatellite weapons, and anti-satellite limitation agreements. The final topic involves future U.S.-Soviet relations in the context of the present impasse, the need to resume dialogue, Salt II, the Anti-Ballistic Missile Treaty, and U.S.-Soviet competition in the Third World. (KC)

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## Strategy for Peace Twenty-Second Annual US Foreign Policy Conference October 16-18, 1981

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Muscatine, Iowa 52761 USA

October, 1982

## Preface

The pages that follow contain the report of the Stanley Foundation's 22nd Annual Strategy for Peace Conference. Throughout its history, the intent of the Strategy for Peace Conference has been to encourage the evolution of a wise US foreign policy that provides for national and international security and that values peace.

The 1981 conference brought together 70 participants, all of whom are actively engaged in one of the conference topics. These government officials, scholars, businessmen, and leaders of nongovernmental organizations gathered for two days at Airlie House Conference Center to discuss various aspects of national and international security.

The work of the conference was carried out in five round-table discussions on five current US foreign policy concerns, (1) North-South Relations and International Security, (2) Energy and US Security, (3) US Nonproliferation Strategy, (4) Military Competition in Space, and (5) Future US-Soviet Relations.

These discussions were informal, and off-the-record. Therefore, the summary of the round tables contains no attribution, however, rapporteurs have tried to convey not only the content of these discussions but also areas both of consensus and of disagreement.

Because all reports were written following the conference and thus not reviewed by group members, participants are in no way committed to any position or finding of their discussion group. The views expressed here are not necessarily those of the Stanley Foundation.

The entire report is offered in the hope that it will stimulate further thought and discussion about specific conference topics and about crucial world issues in general. You are welcome to duplicate or quote any part or all of this report so long as proper acknowledgement is made. Additional copies are available free from:

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Max Stanley

“The holocaust of a major nuclear exchange is the greatest threat facing the superpowers. A Soviet-American nuclear war would be catastrophic; there would be no winner. Civilization would be ravished. In the nuclear age undue reliance on the military element for security is both shortsighted and hazardous.

“Let us make full use of the economic and political elements, as well as the military, in our search for greater security.”

## Opening Remarks

C. Maxwell Stanley  
Conference Chairman

We assemble for this twenty-second Strategy for Peace Conference at a time that is both critical and unique. Critical because the number of unsolved global problems — political, economic, and security — continues to mount, unique because the Reagan administration, after needed concentration on domestic economic matters, is now confronted with serious and difficult international issues. An appraisal of the current international situation is the basis for my remarks about our deliberations at this conference.

The world's military might is a good beginning for such an appraisal because controversy over military might is the root of the stalemate between the United States and the Soviet Union. Armies, navies, and air forces are expanding throughout the world, over \$600 billion are expended annually on military establishments. The conventional and nuclear arms races are escalating. Arsenals of conventional and nuclear weapons are burgeoning. Nuclear overkill is expanding. The risks of a nuclear holocaust certainly are not being reduced and probably are increasing. Nations continue to rely on the threat and use of armed force for security.

Military establishments grow because without effective means of peacefully settling controversies, instability and turmoil jeopardize peace and security. Armed conflict continues in some places and numerous trouble spots threaten to erupt. The uncertainties of the Middle East, heightened by the tragic assassination of Anwar Sadat, a true warrior for peace, top the list. El Salvador, Angola, Kampuchea, Ethiopia-Somalia, and Namibia are among the other areas of concern.

The world economy is in serious trouble. With few exceptions, all nations are experiencing economic problems ranging from near recession to actual depression. The economies of industrial nations are beset with problems, unemployment has increased as rates of growth have declined and inflation has continued. Most developing nations, and particularly those without petroleum resources, are in deep difficulty, economic and social development is stunted, export opportunities are limited, and default on debt amortization is common. Only those few

countries blessed with petroleum resources or enjoying unique situations are making desired progress.

Neither of the superpowers are immune from economic troubles. Although the US rate of inflation is declining, interest rates and unemployment remain high as economic growth stagnates. The favorable results of supply-side economics that are anticipated by the Reagan administration have yet to be realized. Large imports of petroleum and other products cause an unfavorable balance of payments that in turn stimulates pressures to restrict imports. The Soviet Union too has economic problems. Subnormal agricultural crops, low industrial productivity, and the heavy burden of its military establishment at home and abroad are causing its economy to falter.

The current US security policy calls for expansion of both nuclear and conventional military power. The administration is determined to avoid reduction of the Pentagon budget even as it seeks to balance the federal budget. This expansion has been accompanied by rejection of SALT II, reluctance so far to proceed with serious arms limitation negotiations, a hawkish posture toward the Soviet Union, and a reduced commitment to nonmilitary measures including human rights, economic foreign aid and support, and use of the World Bank, the United Nations, and other international organizations. Relations with allies are strained as the United States pressures them to increase military expenditures and delays serious negotiations with the Soviet Union.

The Soviet Union continues to enlarge its military power and continues its occupation of Afghanistan and its support of surrogates in Kampuchea, Ethiopia, and Angola. These military adventures, together with the Solidarity activity in Poland, strain the Soviets' relations with other Soviet bloc countries and with the world community. Determined to match US military expansion and frustrated by the United States' rejection of SALT II and the uncertainties of the Reagan policy, Soviet polemics match those of the United States.

The result is an extremely tense relationship between the United States and the Soviet Union. The dialogue concerning the control, limitation, and reduction of armaments has been dormant for nearly two years. The US-Soviet stalemate seriously handicaps multifateral disarmament efforts and interferes with efforts to better manage the economic and political problems of the world community.



The current situation is fraught with complications and hazards deserving prompt attention. How should the United States structure its foreign policy to deal with them? What questions should be raised regarding the United States' posture toward a broad agenda of global problems? What elements contribute to security?

## Security

Economic and political factors, as well as military, contribute to security. Military power, generally considered the primary source of security, will continue to be a factor, albeit of lesser importance, until nation-states act in their common interests to fashion global mechanisms to maintain international peace and security. Weapons technology, however, by changing the nature of modern warfare, is undermining the ability of military power to guarantee security. Military planners, aware that nuclear weapons can wreak havoc upon civilian populations and installations, largely base their requests for military appropriations on the deterrent impact of weapon systems on presumed enemies. However, three decades of reliance on nuclear deterrence have not assured the security of either the United States or the Soviet Union. On the contrary, the risk of nuclear war is greater now than it was a decade or two ago, and there is no assurance that expanded nuclear capability will reduce the hazard. The holocaust of a major nuclear exchange is the greatest threat facing the superpowers. A Soviet-American nuclear war would be catastrophic, there would be no winner. Civilization would be ravished. In the nuclear age undue reliance on the military element for security is both shortsighted and hazardous.

A strong, viable economy is a necessary foundation for US power, influence, and security. Hence the importance of strengthening the US economy. There are international aspects of economic security that deserve attention. Interruption of the flow of petroleum from the Organization of Petroleum Exporting Countries (OPEC) is an economic threat to our security, second only perhaps to the threat of nuclear holocaust. Strengthening of the world's monetary system and enlarging international commerce is overdue. Our relations with Third World countries are crucial to our economic well-being; they are the source of critical resource imports and the destination of substantial exports. More intelligent use of our significant economic strength would do much to enhance our national security.

Political strength is a real element of national power, influ-

ence, and security. A unified nation capable of responding promptly, effectively, and predictably to threats and problems is viewed with respect. A nation having solid, friendly relations with allies and nonaligned countries enjoys support that adds to security. Hence the importance of sound cooperation between the administration and Congress leading to broader bipartisan agreement and continuity on foreign policy. To gain greater political influence and security, we also need to improve our relations with our allies and with the nonaligned nations. By aligning our foreign policy more closely with the common needs of the world community and by providing strong and innovative leadership in, and support of, international organizations, we can gain stature and influence. The United States is only partially using its potential power to increase security through political action, diplomacy, and negotiation.

Let us make full use of the economic and political elements, as well as the military, in our search for greater security.

### Discussion Topics

For this conference we have selected five topics crucial to the security and welfare of the United States. None of these topics are new to the Stanley Foundation. The first Strategy for Peace Conference in 1960 dealt with US-Soviet arms limitation and reduction and with the development problems of the South. A 1966 conference titled "Proliferation Unlimited" initiated our concerns about nonproliferation. Energy issues have been conference topics since 1973 and outer space has been on our agendas since 1963.

Although the problems are old, it is our hope that your discussions may shed new light on them and that some helpful new approaches to their solutions may be forthcoming. North-South Relations and International Security focuses on US relations with Third World nations, relations that will affect both near-term and long-range peace and security. Energy and US Security concerns another facet of security that has economic, political, and military implications. These two topics emphasize that US security depends on more than military strength. Three discussion topics — US Nonproliferation Strategy, Military Competition in Space, and Future US-Soviet Relations — focus on the military element of national security, the most crucial, unresolved problem of our time. All five topics are interrelated and all are relevant to US security.

\* See the Stanley Foundation publications brochure for current documents dealing with these topics

## North-South Relations and International Security

US relations with the South affect the economic and political elements of US security. US relations with the South are deteriorating rapidly because of the failure of the United States to respond creatively to the needs of the developing countries. The magnitude of US governmental economic aid has declined to approximately one quarter of a percent of our GNP as contrasted with the UN target of 0.7 percent. The United States ranks sixteenth among the eighteen industrial nations providing development assistance to the Third World. Although Secretary Haig heralds "a new era of growth" for developing nations, the Reagan administration is acting to reduce US contributions, both multilateral and bilateral. Moreover, the 1981 foreign aid bill targets more than half of the economic aid to Israel, Pakistan, and other major recipients of military assistance. President Reagan's challenge to "believe in the magic of the marketplace" does little to improve US relations with the South.

Commonality of interests of North and South is the basic reason for accelerating development. Development sufficient to ensure survival is the all-consuming concern of 1.5 billion of the South's inadequately fed people of whom half a billion are severely malnourished. Development sufficient to make progress toward a better life is the pressing concern of another 1.5 billion inhabitants of the South. Without accelerating development, the outlook for numerous developing nations is bleak.

Accelerating economic development of the South benefits the industrial nations of the North, certainly including the United States. Accelerated development contributes to a more viable and vibrant world economy and assures access to needed raw materials, products, and ever-expanding markets. The United States would benefit from reform of the archaic world trade and monetary systems. Reform would be stimulated by accelerating Third World development. With improved relations, the North and the South would find it easier to cooperate when addressing such problems as international peace and security, environmental protection, human rights, and the growing pressures of expanding populations on food and other resources. These issues cannot be managed by the United States alone or by the North or the South without the other's help.

Once again it is time for the United States to forge an adequate policy toward the South. The policy needs both multilateral and bilateral programs, including effective private

sector initiatives. Dialogue with the South, whether or not in the context of global negotiations, should be ongoing and should address both near term and long-range issues. Because of the world's growing interdependence, the United States dares not neglect its relations with the South.

### **Energy and US Security**

Energy as an element of national security has both near-term and long-range facets. Concentration on either should not and need not be at the expense of the other. Within the next few decades the world must make a transition from its current heavy dependence on petroleum to other energy sources. This is inevitable because petroleum resources of the world are finite, even though their magnitude is unknown. Failure to deal effectively with the transition to other energy sources would severely strain national economies and lead to global conflict. US security in the long range will depend not only on intensified development of our reserves but also on conservation. We must make more effective use of the energy we have and accelerate development of alternative sources. These are largely domestic challenges.

The prescription for near-term energy security is complex and has major international implications. Dependent as we are on petroleum imports — still 46 percent of US consumption — any prolonged interruption of supply would devastate the US economy. Even without interruption, the sizable unfavorable balance of payments which is due largely to huge oil imports strains our economy and endangers security.

Response to the near-term energy problem therefore must be both domestic and international. At home the need is to conserve, drill more oil wells, and make greater use of alternative sources. Abroad we must work to assure the continuity of supply, particularly from the troubled Middle East. This is an especially challenging task, given the current tensions and strains. A second international aspect concerns accelerating exploration outside of the Middle East, largely in the Third World — thus the relationship between energy, security, and North-South relations. Because of their confrontation in the Middle East, the energy problem in the near term also impacts on US-Soviet relations.

There should be no lull in US attention to energy just because supply currently exceeds demand. US policies, both near-term and long-range, are far from adequate. Numerous questions remain unanswered in the near term. How can the

flow of oil from OPEC nations be assured? Are there other petroleum sources available to the United States? Do present policies provide adequate stimulation for developing increased petroleum reserves within the United States? Are conservation efforts adequate? Looking farther ahead, what is needed to assure that alternative energy sources are available when present petroleum supplies begin to decline? What are the domestic and international facets of this problem?

### **US Nonproliferation Strategy**

The June 7, 1981, Israeli bombing of Iraq's nuclear reactor dramatically revealed the urgency of strengthening the nonproliferation regime. Israel, generally considered to be one of the nations either having or about to have nuclear weapons, sought to deny them to a perceived enemy.

The importance of developing an effective nonproliferation regime is perhaps second only to checking and reversing the nuclear arms race. Progress toward this end is stalemated. The August 1980 review conference of the Non-Proliferation Treaty (NPT) could not produce a final document. Many of the nuclear threshold countries have not ratified the treaty. Progress is thwarted by the perceived failure of the Soviet Union and the United States to implement Article IV of the NPT which deals with peaceful uses of nuclear energy and Article VI which calls for significant disarmament efforts.

The subject of nuclear nonproliferation is unique because, despite stalemate on other arms reduction measures, on this issue the United States and the Soviet Union are in substantial agreement. Both consider the NPT, which they coauthored, to be the keystone of the nonproliferation regime and urge all countries to adhere to it.

The US policy of preventing the spread of nuclear weapons has long enjoyed bipartisan support. The Reagan administration continues to support nonproliferation but is reversing some of the elements of the Carter administration's programs and encouraging revision of the 1978 Nuclear Non-Proliferation Act. What modifications in US nuclear policy will strengthen the nonproliferation regime and enjoy strong bipartisan support?

The US policy toward nonproliferation, however, must go beyond modification of the Nuclear Non-Proliferation Act and deal with the international aspects of developing a viable, nonproliferation regime. Such a regime must be capable of limiting further proliferation of nuclear weapons and of providing adequate protection against nuclear threats and terrorism. This re-

quires new direction and emphasis. Can regional undertakings similar to the Latin American weapon-free zones be encouraged? How should the International Atomic Energy Agency (IAEA) program of inspections and safeguards be strengthened? Is there a role for IAEA regarding assurance of availability of nuclear fuel for peaceful purposes and for multinational facilities related to the nuclear fuel cycle?

Beyond these questions the basic one, however, is. When will the United States and the Soviet Union respond to their commitment to Article VI of the NPT and start reducing nuclear weapons? This question obviously indicates the relationship of our nonproliferation topic to that of US-Soviet relations

### **Military Competition in Space**

Space warfare, emulating Star Wars and Star Trek, is no longer a far away science fiction fantasy. The research programs of the United States and the Soviet Union are propelling the world closer and closer to its realization. Once again the message is clear. Act now to ban space weapons and establish credible verification or forever rue the failure to do so.

Several military uses of space add to security and reduce the likelihood of war. Both superpowers use satellites for early warning against nuclear attack, for communication among military units, for navigation, and for gathering intelligence regarding each other's military activities and those of other countries. Satellites are basic to the verification systems the superpowers use to monitor each other's conformance to arms control agreements. These uses of outer space are highly beneficial.

The frightening military uses of space that are being developed include armed space stations, weapons in fixed orbit, antisatellite weapons, and ground-based laser or particle beam weapons. Both the United States and the Soviet Union are researching, developing, and testing these types of weapons. The magnificent US space shuttle program has been largely taken over by the military and in the words of Dr. James Van Allen, "The military use of the shuttle is going to be dominant while civilian uses will be minor." The 1982 US budget for the military space program has been substantially increased. Undoubtedly Soviet research, development, and testing are equally intense. Meanwhile, the US-Soviet talks on outer space have remained dormant since 1979.

Further militarization of outer space would be highly destabi-

lizing and would significantly increase the risk of nuclear war. If this is probable or even possible, what steps should be taken to halt the process? Early resumption of US-Soviet talks and negotiations are urgent. Their objective should be either an amendment to the Outer Space Treaty of 1967 or a new treaty. The treaty or amendment needs to be sufficiently broad to prohibit all types of weapons capable of making outer space a potential battleground.

What might stimulate US efforts to get on with the task of making outer space safe? What is the proper scope of a treaty? Could a joint, easily verified moratorium on testing weapons in space be proposed? Would development of guidelines on responsible military conduct in outer space accelerate agreement on a treaty? Is a multilateral approach feasible? How should the United States react to the Soviet draft treaty that is on the agenda of the 36th UN General Assembly?

These questions must be addressed lest technology nullify opportunities to prohibit space weapons. Let there not be another situation like that of the MRVs (multiple independently targetable reentry vehicles) when an opportunity to limit the world's destructive capability was missed.

### **Future US-Soviet Relations**

Relations between the United States and the Soviet Union are last in my comments but first in importance. Improved relations between the two nuclear giants are crucial to US security. They are the key to reducing armaments, lessening the risk of war, cutting military budgets, and allowing the world to better manage the many serious nonmilitary global problems. Improving relations between the superpowers is not a new challenge; it was an issue long before the Soviet Union launched its first sputnik in 1957 and started to catch up with the United States in nuclear weaponry.

Relations between the two countries have degenerated into the old cold war syndrome because of rising fears and perceptions of each other's military strength and intent. The two countries are gripped in a mutual paranoia, they see each other as mortal enemies. We delude ourselves into thinking that nuclear superiority can be maintained, that nuclear war can be contained, and that should it occur, a nuclear war can be won.

Despite different ideologies and economies, the Soviet Union and the United States have important common interests. Neither wants a war with the other and both would benefit

from substantial reductions in military spending. The Soviet Union needs imports from the United States, including grains and technology. The United States and its allies need resources available in the Soviet Union. Both countries would benefit from better management of such global concerns as environmental protection, and problems arising from population pressures on resource supply. Mutual recognition of these common interests is fundamental to improving relations.

The surest way to avoid the war that neither nation wants is to pursue a two-track policy with the Soviet Union. It is inevitable that we will compete in economic and political areas, but let us cooperate in the areas of arms limitation and reduction and thereby protect ourselves and the world from the hazards of a nuclear holocaust. Relations between the two countries are more likely to be improved through better communication and ongoing negotiation than through increased nuclear capability. Will not the Soviet Union match the \$180 billion strategic nuclear weapons program of the Reagan administration to close the "window of vulnerability"? If the United States establishes a first-strike capability with the MX, will not the Soviets respond?

Recent agreement on a November start for European theatre nuclear weapons limitation talks and the announcement of US readiness to begin Strategic Arms Reduction Talks (START) in March 1982 are welcome. Much more is needed, however, to raise the probability of successful negotiation and to hasten an adequate and ongoing US-Soviet dialogue. The thrust of that dialogue should be toward reversing the arms race, achieving substantial disarmament, strengthening the nuclear non-proliferation regime, improving mechanisms for peaceful resolution of controversies, and improving the peacekeeping and peacemaking capabilities of the United Nations.

Not only the content but also the frequency of the dialogue should be increased. Would not regular, continuing meetings between high-level policy makers and military leaders of the two countries be useful? Could not such meetings, separate from detailed negotiations on specific treaties, improve understanding and reduce misperception of each other's intent? Would not occasional summit meetings between heads of state be useful? Are there not opportunities to utilize moratoria, non-binding norms, independent initiatives, and voluntary acceptance of informal restraints to stimulate reciprocal action and arms reduction? What confidence-building measures would reduce the tensions between the two countries and improve the



climate for agreement on disarmament measures? Finding answers to these and similar questions is crucial to the security of both countries

## Conclusion

Feelings of fear, frustration, and anger mingle as I consider the issues we will be discussing at this conference

My fears grow as I contemplate the mounting dangers inherent in expanding arsenals of nuclear weapons, the proliferation of these means of mass destruction, the burgeoning conventional military forces, and the real probability of militarization of outer space. These dangers are even more ominous when viewed in the context of deteriorating US-Soviet relations. These trends, together with continuing reliance on military power for security and the readiness of nations to resort to armed conflict, constantly increase the probability of disaster.

My frustrations deepen as I reflect on the current disarmament stalemate, the inadequacy of the US energy policy, and the deteriorating US relations with the Third World. We know what needs to be done to solve these problems or at least to move us off dead center. Yet too often the focus is on procedures rather than substance, on words and documents rather than actions.

I become angry as I recognize the shortsightedness of the leaders of nations, certainly including my own, who put undue faith in the military elements of security and who seem more concerned with current political and economic problems than with long-range strategies for peace. When will the leaders of nations awaken to the senseless risks they take by procrastinating on disarmament? When will they realize the security and economic benefits to be gained by meeting global problems head on? What is needed to persuade or shock them?

Fear, frustration, and anger are useless unless translated into action for there will be no breakthroughs in these problem areas unless and until the leaders of nations bring them about. It is my sincere hope that our deliberations may strengthen the resolve of each one of us to press the leaders of this country to look to the future and to develop a comprehensive strategy for peace.



Fred Eckhard

John Mathleson

“Cofinancing, it was generally agreed, ... is the bright light on the horizon. The idea of mixing private and public capital for investment in marketable development projects shows promise of attracting significant new sources of financing.”

## Discussion Participants

Chair: John Mathieson  
Rapporteur: Frederic Eckhard

Joel Barkan  
Adrian Basora  
José Epstein  
John Eriksson  
Tim Hauser  
J. Bryan Hehr

Robert Henderson  
Jorge Lozoya  
David Luft  
Ray Nightingale  
James O'Leary  
Kathryn Young

## Discussion Report

This report, prepared by the rapporteur following the conference, was not reviewed by discussion group participants

## North-South Relations and International Security

### US Security and the Third World

Is it analytically useful or politically relevant to define US security in terms of Third World development? This fundamental question immediately divided the participants into two camps, one favoring the broad and the other the narrow definition of the word security, although no one disputed the importance of the developing countries to US interests.

In support of the narrow definition, it was argued that, as it pertains to US security, Third World development is a means rather than an end. Security itself — an end — implies freedom from fear of attack, the power to control events. American security would therefore be enhanced by reducing Soviet influence in the Third World and by reversing more than a decade of slippage of the US military and political position *vis-à-vis* the Soviet Union.

In the economic sphere, ran a parallel argument, security is served by evolutionary rather than by abrupt change. The business community and the public sense that economic insecurity has been the end result of a series of sudden changes,

such as oil price rises, floating exchange rates, and climbing interest rates. In this environment, the Third World call for a new international economic order and the rhetoric of global negotiations are not viewed as contributions to US security.

A majority of the participants spoke in favor of a broader view of American security. They indicated that Third World economic development has contributed to political stability and is therefore in the long-term interest of the United States, although it was recognized that development itself does not guarantee stability. Some argued that undue emphasis on East-West conflict distorts the view of ultimate US security objectives by focusing on short-term military threats when the global reality is much more complex.

The Third World, it was pointed out, is as likely to see its own security threatened by the United States as by the Soviet Union. Developing countries say they hear in Moscow the same expressions of escalating concern over military security that they hear in Washington. "The diplomacy of 'you are either with me or against me' makes the Third World very uncomfortable," remarked one participant. "It could get all of us blown up."

The discussion ended with little reconciliation of the opposing views. All agreed, however, that the objective of improving US-developing country relations is not productively served by an extended debate on security issues.

### **US Economic Interests in the Developing World.**

There was universal agreement that the Third World must be viewed in its many constituent parts, and that a differentiated policy is needed to deal with them. As a useful disaggregation of the Third World, the group accepted the following: the least developed countries (LLDCs), the developing countries (LDCs), the newly industrialized countries (NICs) and the oil-exporting countries (OPEC). The phenomenon of interdependence, for example, is more strongly felt between the United States and the NICs or OPEC than between the United States and the LLDCs.

### **Developing Country Debt and the Western Banks**

The general feeling of the group was that the enormous debt burden being carried by the oil-importing developing countries

can be managed in the 1980s. It was agreed that this is one area where the need to differentiate Third World countries as to the different classes of borrowers is crucial. The consensus view was that the private banking system is not threatened with imminent collapse from a string of defaults by developing countries, although there were differing opinions on the magnitude of the problem. Even the most optimistic view allowed that borrowing would be more difficult in this decade than in the 1970s, requiring painful structural adjustments on the part of some countries.

Many Third World countries borrowed in the 1970s on the assumption that their export growth rates would hold steady. There are signs that this assumption may not be borne out. A substantial proportion of borrowing by the NICs is now being used to service existing debt, it was noted, and the new loans are of short-term maturity, with high interest charges. "This isn't repayment, it's rescheduling," declared one participant. "We're just buying time."

The role of the private banks will diminish in the 1980s, according to one opinion, because the banks are reaching their legal lending limits. What's more, the innovative lending techniques of the last decade which provided loans for disguised structural adjustment are being replaced by more traditional project loans. Many banks feel overexposed as they assess the adjustment problem as being more long term than originally anticipated. There is also concern about linkages in the financial system which make it increasingly vulnerable to a domino effect on default.

Cofinancing, it was generally agreed, is the bright light on the horizon. The idea of mixing private and public capital for investment in marketable development projects shows promise of attracting significant new sources of financing. Concern continued to be expressed, however, about the ability of certain developing countries to meet their obligations. And there was widespread agreement that the private banks could not be expected to continue to play their petrodollar recycling role without some outside help.

#### **Trade: The Principal North-South Link**

An assessment of the Reagan administration's approach indicates that if there is going to be a forthcoming US policy toward the Third World it will not be in the form of aid but rather in increased trade opportunities. Members of the group cautioned,

however, that the political climate and the mood of Congress suggest that trade concessions will be difficult to achieve in the near future. A successful administration effort to keep US trade policy from becoming more restrictive, though, could open the door wider to Third World imports as the US market expands.

The free trade philosophy of the administration, it was pointed out, will be tested soon in two areas of importance to developing countries. The first is the Multi-Fiber Arrangement (MFA) now being renegotiated. Third World textile exporters would like the MFA restrictions relaxed and some European countries would like them tightened — hence the United States could tilt the balance. The second is the US sugar price support policy which is to be renewed. One participant observed that in this case the United States risks taking away with one hand what it is trying to achieve with the other through its newly announced program for greater cooperation in the Caribbean basin. That program, it was noted, was prompted by an East-West security concern.

There was strong consensus that increasing Third World trading opportunities with the United States is a way to promote economic development within a framework that is fully consistent with the administration's economic orientation. It was also broadly recognized that trade opportunities will do little for the poorest countries that have little to sell on the US market.

### **Food: Bread Lines and Security**

Consistent with the broad definition of US security, it was argued that the world's excessive reliance on the North American breadbasket for its grain exports, the growing problems of soil depletion and erosion in North America, and inadequate food production in the developing countries all represent a security threat to the United States. It was further argued that there were bread lines in Kenya last year, threatening to destabilize an important US ally in East Africa.

The United States' huge scientific base, it was pointed out, has not been sufficiently adapted for application in developing country food production. To play a role, the United States would have to invest significantly in tropical agricultural research. Meanwhile, the latest recombinant DNA research applicable to food production is moving agricultural research from the public sector (land grant colleges) to the private sector (university laboratories) and may soon pass as patentable.

biological processes to the multinational food companies. The group could only speculate what implications this might have for developing countries.

Because food production is but one part of a system which includes research, distribution, and marketing, the development of food sector strategies as endorsed by the World Food Council was singled out for praise. These strategies focus developing country attention on the entire food cycle. There was discussion of the Mexican system which looked at the whole process and tried to correct systemic bias in the agricultural sector. The ultimate success of this approach, one participant argued, would enhance security in Mexico as well as in the neighboring United States.

It was noted that the food situation in much of the Third World is becoming a serious problem because of declining productivity. Over the last 10-15 years, many food exporters have become net importers, with a consequent rise in net food import bills which in Latin America alone, according to one participant, has reached \$5 billion annually. Concessional assistance, it was argued, is needed for development and research to turn the situation around.

## **US Policies and North-South Relations**

The new administration's Third World policy, said to be under review for much of 1981, began to emerge in outline form in speeches by the President, the Secretary of State, and the Secretary of the Treasury just prior to the Cancún summit in October 1981. Two speeches by President Reagan — in Philadelphia and at the International Monetary Fund/World Bank annual meeting in Washington — provided reference points for the group's discussion. The essential elements of the administration's view are that the role of government has to be reduced and that the private sector must function as the engine of development.

Arguing that this policy is inadequate, one participant suggested that private organizations should press the administration into defining a more satisfactory framework for its North-South policy. According to this view, US actions in Central America and its policies on southern Africa and the Middle East, where East-West concerns dominate, cannot be separated from the North-South agenda. Because of the important intersections of strategic objectives and Third World development issues, the two sets of concerns should be seen as part of

the same policy framework. In this context, the administration's strong emphasis on the role of the private sector in development — the "magic of the marketplace" — was criticized as inadequate to meet the needs of the poor. The policy as outlined in the pre-Cancún speeches, therefore, was seen as requiring fundamental changes rather than only minor improvements at the margin.

In defense of the administration's approach, it was argued that improved trade opportunities were of considerable importance to enough developing countries to constitute a sound approach to development. To the extent that trade cannot meet the needs of the poorest countries, it was noted, the administration hopes to redirect existing concessional aid flows by proposing a policy shift within international lending institutions. The proposal would call for more advanced developing countries to "graduate" from the concessional aid category, freeing funds for additional lending to the poorest countries.

### **The Mood in the United States**

There was broad agreement that social and economic trends in the United States are shaping the US response to the Third World. The decline in federal support for education, health, family planning, and other social services domestically makes it that much more difficult to justify US aid for similar projects abroad.

It was also the perception of the group that the United States, and particularly the present leadership, will be less responsive to Third World arguments that rich countries should feel guilt for the plight of the poor. "This well has run dry," said one participant. There is also a pronounced lack of patience with ritual denunciations of the United States by Third World countries in the United Nations and other international fora. There was a strong feeling expressed that it is time to put aside the rhetoric and focus instead on pragmatic solutions.

The message that emerged in the group seemed to be that the administration is prepared to resume the North-South dialogue if it can avoid politically charged universal fora like the United Nations. It was recognized that this would meet opposition from the Third World caucus at the United Nations, the Group of 77, and that therefore it would be necessary to find a face-saving mechanism to preserve the symbolism of global negotiations while getting down to concrete talks in specific topics within smaller and more manageable working groups.



### **Will the Third World Compromise?**

For developing countries, the official position continues to be that the new international economic order agenda raises moral questions about the injustice of the existing system. To agree to break out one or more specific items for negotiation without general endorsement of the idea of the need for systemic change is therefore to lose the essential political point. In the view of one participant, the Group of 77 is willing to pay the high price of an ongoing deadlock in the North-South dialogue until their basic thesis is accepted by the North.

There was discussion of a variety of areas where the developing countries feel the North, and particularly the United States, is not being responsive to Third World needs and concerns. Many developed countries have made it clear that they oppose the creation of new international institutions or new initiatives, especially those requiring increased budget allocations. There were cited a number of recent actions which have fed developing country frustration: the failure to create an energy affiliate of the World Bank, the difficulties encountered in the replenishment of the International Fund for Agricultural Development (IFAD) and indications that the United States favors reductions in paid-in and callable capital for the World Bank. It was countered, however, that blame for the lack of progress in many of these areas is shared by developed and developing countries alike.

### **Room to Maneuver: What Might Still Be Done**

In light of the somewhat pessimistic tone of the preceding discussion, the group was charged with the task of proposing new ideas for improving US-Third World relations despite the current constraints. (Time did not permit a detailed discussion of the following suggestions and so none was endorsed by the group as a consensus opinion.)

**A new role for the private sector.** US firms would probably respond willingly to a government call for greater involvement in Third World development plans if a new approach were defined and acted on accordingly. The private sector view is that the firms should not have to go in alone, they continue to see a role for international financial institutions like the World Bank. In addition, the government should remove disincentives such as antiboycott legislation, antibribery and antitrust laws, and certain tax provisions if a greater private sector role is genuinely sought.

**The private sector is more than just corporations.** Private voluntary organizations, church groups, and individuals have played and will continue to play a major role in development efforts. The government might provide incentives to encourage an expansion of this involvement.

**A domestic version of the International Finance Corporation.** A domestically chartered mutual fund could be set up to create a mix of private funds and official aid for private sector equity investments and loans in the Third World.

**Pension funds and insurance company holdings.** These could be a new source of development capital which could be loaned for up to 30 years. Present regulations and charters prohibit such use of the funds, but these could be changed to permit the resources to be tapped for development.

**Don't ignore human resources.** Education and training programs to develop human potential is an essential part of the development process and one in which the private sector has a stake and could play a greater role. Industry associations and US cooperation with advanced developed countries to promote effective human resource allocation in the poorest countries are among the things that might be considered for improving training programs.

## **Conclusion**

The group's discussion made painfully clear the political and economic constraints to progress in the North-South dialogue. East-West tension today, as in the cold war period, tends to generate greater US interest in the Third World, although the focus is understandably narrow, with the emphasis on military security. The faltering economies of the world's most advanced countries limit the options for compromise in the North-South debate. The rhetoric is seen to be getting stale while the global problems all would like to see tackled are getting more serious. Despite the group's inability to agree on what the security implications are in all of this, the participants recognized that a political compromise must be found soon if productive negotiations on the North-South agenda are to get under way.





John Gray



Ed Wonder

“While no grand scheme linking energy and foreign policy . . . would be realistic or even possible to construct, developing an understanding of how energy policy and foreign policy relate to one another at a general level is of major importance.”

## Discussion Participants

Chair: John Gray

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## Discussion Report

This report, prepared by the rapporteur following the conference, was not reviewed by discussion group participants.

## Energy and US Security

As the group met, the world marked the eighth anniversary, to the month, of the Yom Kippur War and the imposition of the Arab oil embargo in 1973, greatly reemphasizing forces that have riveted the attention of energy producers and consumers alike to the political, economic, and even military consequences of continuing world dependence on oil.

Considerable attention has been paid in numerous sectors to the continuity of the problems stemming from the events of 1973-74, yet recent developments have raised the issue of whether the contours of the "energy problem" are changing. Talk of a permanent oil glut, the possible disintegration of the Organization of Petroleum Exporting Countries (OPEC), a moderation of oil price increases, and falling US oil imports have led some observers to ask whether important and favorable, at least to the industrialized West, structural changes in the oil market are occurring.

At the same time, the assassination of Egyptian President Sadat, the worsening economic plight of the less developed countries (LDC), the uncertainty surrounding Soviet energy

prospects and foreign policy intentions, to list but a few factors, confront political leaders with the reality of continuing fragility in the international oil market, difficulty of developing substitutes for oil, and specifically the continuing economic, diplomatic, and national security importance of energy issues to the United States.

It was in this context of both possible change in the parameters of energy issues and their continued vital importance to the US national interest that the Energy and US Security group met to discuss not only what the "energy security problem" is, and what it may be in the future, but also what the United States should do to address it. The first task before the group was to define the key issues that collectively constitute the "energy security problem." The group identified a number of, but by no means all, key components of this problem, to which it then addressed itself. This report is organized in terms of these issues.

## 1. Status of US Energy Policy

The Reagan administration confronts a curious but important challenge in conveying its energy policy to the public. With few exceptions, the public at large and, more importantly, opinion makers and many elites have failed to recognize the policy, and keep clamoring for one. This perception gap is due in part to the public confusion of "policy" with extensive government regulation and sweeping legislative proposals and to the administration's view of energy policy as, in significant measure, a key subset of an economic policy whose priority is reviving the economy through greater reliance upon market mechanisms and reduction of government intervention.

The group was virtually unanimous in its support for the broad thrust of the administration's policy of both relying primarily upon the market to handle energy issues and restricting government involvement to those few areas where the market is clearly incapable of dealing with specific energy problems or where, due to national security interests, it would be inappropriate to rely entirely upon the market. Although some members pointed out that at the end of its term in office the Carter administration was turning to greater reliance on the market (e.g., phased oil and gas price decontrol), the Reagan administration has staked out a clear position on the respective roles of the market and the government in the energy area, in contrast to its predecessors. This position entails reliance upon

the market to permit economically efficient solutions to energy problems; restriction of government research and development (R&D) support to those very long-range, high risk but potentially high payoff projects, such as fusion, completion of the Strategic Petroleum Reserve (SPR), and the strengthening of US military forces to provide security, if need be, in the Persian Gulf region.

Nevertheless, given the national security implications of energy, the question of where the market left off and, as a result, government initiatives were needed was raised, with the clear implication that while much greater reliance on the market was necessary, this alone was not sufficient for effective policy (This question in no way conveyed disagreement with the principle that primary reliance must be on the market.) The group identified a number of possible security-related aspects of energy policy, including filling the Strategic Petroleum Reserve, centralizing emergency preparedness planning responsibility at the federal level, diversifying oil supply sources, encouraging both domestic energy production and greater consumption efficiency, and creating mechanisms to encourage overseas investments in new energy production areas, such as measures to insure investments against such nonmarket risks as expropriation. The group did not intend that the above options necessarily entailed extensive government intervention in the marketplace.

Energy security is not solely a function of assured supply. In considering price-related aspects of energy supply, the point was made that over the long run the US economy has and will continue to adjust to higher oil prices. In the short run, however, unexpected price "spikes" and resulting economic dislocation could produce social tensions and demands for government intervention in the marketplace. It was also pointed out that other societies have not fared nearly as well as the United States, and that their collapse or decline could adversely affect US security interests.

Recent supply disruptions have suggested that the problem is not necessarily physical shortage of oil but not having enough dollars to pay for it, i.e., the loss of consumer purchasing power and depressed economic activity. The group agreed that the market must be the primary mechanism to deal with supply disruptions. In addition, interest was expressed in the concept of recycling dollars (through the tax system, emergency economic impact assistance, etc.), as opposed to allocating oil,

as a means of coping with the economic impact of supply disruption. Several group members, however, expressed reservations as to whether dollar recycling would be enough in such situations. No clear group position, other than on relying principally on the market, developed at this point.

## 2. Market vs. Government

The fundamental recasting of the philosophical basis of US energy policy by the Reagan administration in terms of reliance on the market ensured that discussion of the first item on the agenda would merge into the second. The group considered what the appropriate role of the government should be in the energy sector. This discussion focused on two points: 1) emergency response mechanisms; and 2) the policy framework for long-term energy development. The discussion of what the appropriate role is for government in the above areas mirrored the division of opinion in the policy community at large on this issue.

Several group members expressed reservations about leaving allocation and price issues to the market during severe oil emergencies (defined as a major shortfall exceeding the 7 percent International Energy Agency [IEA] trigger). There would inevitably be political pressures to resort to government supply allocation and price controls, given the lag in the speed with which a new market equilibrium could be established. This view was challenged by others who contended that, freed from price controls, the market could move faster and more effectively than government on allocation, and that government should confine itself to economic impact assistance and drawdown of the SPR. (One member persistently questioned the rationale for having an SPR, claiming that it deterred the holding of private stocks, but this view was not supported by the rest of the group.) Ultimately, this issue of emergency response revolves around the question of how far you rely upon the market, and what steps beyond those taken in the market would be required of government.

The discussion of the policy framework for long-term energy development reaffirmed the group's position that the market must be the principal mechanism, and there was general agreement that stability of the policy framework is also critical. Opinion was more divided, however, over what else was required of government to encourage production. The discussion here presaged a more extensive debate on this issue under Item 5,



but suffice it to say at this point that some believed that positive government encouragement, including financial incentives, may be necessary if high risks to investment are not to be allowed to deter necessary energy development. Others maintained that government should principally remove the regulatory, tax, and price control obstacles to new projects and refrain from pushing any specific project or technology at the expense of others. Government could then confine itself to supporting very long-range projects, such as fusion. There was broader agreement (with one or two exceptions), however, that a more active government role in developing a framework to encourage US foreign investment and the international competitiveness of US energy companies (e.g. by retaining foreign tax credits) was necessary in the international arena.

Although the group discussed the respective roles of the market and the government, it did not define with any precision what the market is, its imperfections, and the implications of differences between diverse private interests and the public interest for foreign policy and national security. The point was made that these factors are crucial, given the fact that the "market" functions within a political context, and is not an autonomous entity by itself. While, in theory, it can produce an economically optimal outcome, it need not produce one that is politically optimal. As became more evident in discussing Item 5, the group was in agreement on what the government should not do — administer prices — but not on what it should do.

### **3. Political and Strategic Context of International Oil**

The political and strategic context of international oil remains dominated by events in the Middle East, the specter of instability in major supplier states there, and the potential for war in the region. Short of destabilization, there remain important questions as to the future of OPEC, the prorating of production, and the implications of new claimants on world oil, possibly in Eastern Europe (if pessimistic projections of Soviet inability to supply Eastern Europe are borne out) and in the industrializing countries. Moreover, energy issues are part of a broader foreign policy process in the Western Alliance, and are aggravating preexisting strains over strategic and economic issues. (One member did not accept this proposition, arguing that the "competition for oil" thesis is a myth from an economic theory standpoint.)

How an understanding of this context can provide a guide to policy is another question, since, while surprise anomalous events can be expected in the 1980s, Saudi Arabia and several other producers have strong economic and financial interests in maintaining the economic well-being of their customers, and thus incentives to provide steady supply. Complicating the guidance of policy are serious intelligence problems in the energy area, such that the group questioned whether the United States really understands Middle Eastern affairs and likely energy supply prospects, and is ignoring issues of major importance to key suppliers, such as the Palestinian rights question

There was general agreement that supply diversification was an essential response to this overall situation, although opinion was divided as to whether this entailed simply reducing vulnerability to insecure sources of oil, or moving off oil as much as possible. Given the lack of major indigenous energy options available to US allies, some members questioned whether a divergence of energy situations, isolating the United States from its allies, could develop. Moreover, for some European states diversification could mean more overall energy supply from the Soviet Union. Although the group spent little time on this latter issue, it was pointed out that growing East-West energy trade is but a part of a larger foreign policy process potentially at odds with Reagan administration views on how to deal with the Soviets. (The group did not discuss this last proposition, and some members later indicated that they did not agree with it.)

The strategy of supply diversification raised again the question of the role of government in supporting the US energy industry. Interest was expressed in the establishment of a framework, through existing international financial institutions or bilateral negotiation, providing for repatriation of funds, convertibility, and assurance against expropriation of US foreign investment in new LDC energy producing areas. The concept of an "insurance" scheme for expropriation risks, paid for by the host countries, was considered. Attention was also given to the potential benefits to the West of supplier state oil stockpiles, although these benefits were not sketched out in any great detail.

#### **4. Energy Emergencies and US Responses**

While there is a range of possible energy emergencies, of which a cutoff of foreign supply is but one, attention has focused

predominantly on this particular contingency. The group took pains to distinguish subcrisis situations (predominantly price problems best left to the market to resolve) from major emergencies involving supply shortfalls at the 7 percent IEA trigger level or more and which might require more active government intervention. However, discontent with existing and past response mechanisms was expressed. Government allocation of oil has only made matters worse in such situations, and, many maintained, the market could handle this job far better. Doubts regarding the viability of the IEA emergency oil sharing mechanism, which, like the Maginot Line, would fight "the last war" (1973-1974) very well, were expressed, but all agreed that the IEA represents an important political commitment by industrial states to work together in a crisis. (No one questioned whether they actually would in such a situation, although this is properly a source of real concern.)

Just what domestic measures should be set in place to handle major emergencies occupied much of the discussion. The SPR is clearly a major instrument, but the administration intends to use it to restrain price ratcheting rather than fill in for lost supply, *per se*. Nevertheless, the group warned that one should not underestimate the political pressures on policy for the SPR. There was little sentiment for any government involvement in the management of private oil stocks, even in a crisis.

The group emphasized that an effective emergency response (or organization) process to identify the nature of a crisis and respond accordingly, and better public credibility for this process, are crucial and may be more important than having canned response plans which may not fit the situation at hand. Public credibility is crucial to the success of an emergency process, especially since greater reliance on the market, as opposed to extensive government intervention, perhaps increases the danger of a search for scapegoats and of claims that government is abdicating its responsibility to protect the public. Government and industry must work together in any effective process, the responsibility does not lie with one to the exclusion of the other.

## 5. Long-Range US Energy Development

The group devoted a considerable amount of time to this subject, and, while reasserting its support for a market-based policy, disagreed over both the objective of long-term US

energy strategy and how that strategy should be implemented. This disagreement is not surprising since the energy community, at large is divided on these questions.

The group agreed that self-sufficiency should not be the governing objective of energy policy as, even if the United States were self-sufficient, Western Europe and Japan would not be, with little overall change resulting in the energy security issue for the United States. Nevertheless, some members argued that an absolute reduction in oil use must be the overriding objective, that simply focusing domestic policy on producing more oil is a mistake, and that alternatives to oil must be developed so that oil is no longer the only incremental energy source available to meet energy growth. Other group members contended that the best short-term and medium-term strategy is to continue to rely upon oil, in recognition of its versatility, and rather to diversify supply sources so as to reduce vulnerability to disruption.

There was also disagreement over the role of government in facilitating, if not promoting, development of high cost, high risk energy sources and technologies. The group acknowledged that determining when new sources will enter the market is very difficult, as, in the case of shale oil and coal-based synthetics, this will depend in part on the price of alternative fuels, the rate of conventional oil reserve additions, and many other factors. While all agreed that a free market is necessary, they disagreed over whether the market alone will be sufficient to ensure the timely entry of new sources. Some maintained that government should confine itself to offering an attractive depreciation schedule, an attitude supportive of energy supply developments, cost-effective regulatory standards, and a mechanism for consolidating lawsuits against a particular project (It marks the tenor of the times that all assumed every project would be sued by its opponents.) The companies cannot ask the government to stay out of the marketplace and then turn around and ask for loan guarantees and other incentives. These individuals maintained that projects would be developed as it became profitable to do so.

Others simply could not accept the argument that the process of bringing on new sources would be this smooth, and cited the potential effect of high interest rates and long lead times in deterring the levels of private investment necessary to develop these sources in a timely manner consistent with the national security importance of doing so. Government financial support, through loan guarantees, cost sharing, and other means,

would be essential, especially to start off new energy industries. However, those who wanted government simply to keep hands off expressed their fear that government support policies are subject to reversal and could lead to construction of inefficient white elephants. Still others expressed the belief the United States is not now facing an energy cliff, that there is some time before the question of government involvement has to be resolved, and that the first government priority must be on economic recovery. The premise that there is such time was not accepted by all.

The group also addressed the financial plight of the investor-owned electric utility industry. The economic problems of nuclear power and coal may in significant part stem from serious structural inefficiencies in the utility industry. Some members observed that a major reorganization of this industry, along regional or separate production, transmission company lines (i.e., a few large companies would be in the business of producing electricity, others would transmit it to the market and sell it at the retail level), must precede any refinancing of this industry.

Although discussion concentrated on the above controversies, several other aspects of this topic merit attention. That domestic energy strategies send foreign policy signals was acknowledged but not discussed, even at modest length. A general conclusion was reached that renewable sources would make little contribution to meeting energy needs even at the end of the century. Finally, all appeared to share the belief that economic recovery, and specifically a lowering of interest rates, is crucial to domestic energy strategy.

## **6. Energy, US Foreign Policy, and Alliance Cohesion**

In opening the discussion of this topic, several members remarked that the current world oil glut and decline in US oil imports should not lead to a false sense of confidence, since it is not yet certain that these new conditions are permanent. Moreover, major US allies continue to express concern about the US energy situation. At the very least, there is a linkage between energy issues and the cohesion of the Western alliance at a perceptual level as well as an operational one, as the question of military strategy in the Persian Gulf (not discussed by the group), relating to security of oil supply, demonstrates.

The group then turned to the question of how to integrate energy and foreign policy. Despite the group's general preference for reliance on the market, a few asked whether some energy issues were not so important from a national security viewpoint that they could not be left to the private sector to handle. One questioned whether it was valid to extrapolate from a preference for market solutions in the domestic sphere to the same approach for the international arena, without recognizing the potentially greater government responsibility in the latter. There was, with the exception of one member, little support for the proposition that the market should be relied upon for all international issues, but the group believed that the government/market relationship in the international arena should be dealt with almost on a case by case or issue-specific basis. While no grand scheme linking energy and foreign policy in a way capable of providing operational guidance for policy would be realistic or even possible to construct, developing an understanding of how energy policy and foreign policy relate to one another at a general level is of major importance. A couple of members expressed their view that the foreign policy issues and responses stemmed in significant part from the market structure and energy resource in question, and thus considerable variation from one market/resource to another could be expected.

## **7. Energy, the LDCs, and the World Financial System**

The group found itself with very little time to discuss this topic, which was a combination of the last two items on the initial agenda. One member pointed out that rising LDC oil demand (at an aggregate level) will be a source of increasing pressure on the world oil market. The discussion then turned to institutional issues, particularly the proposed World Bank energy affiliate and its alternatives. The group had very mixed opinions of the affiliate concept, and, on the whole, the remarks tended to be negative, but all recognized that the investment issues regarding LDC energy development were important ones.

One member raised a number of questions regarding both the broader LDC energy development problem and the related institutional issues. Despite high oil import bills, is the cure necessarily finding and developing indigenous energy? This question can be addressed only on a country by country basis. If local energy is potentially available, is multilateral lending necessary, and will it supplant or supplement private capital?

Should multilateral funding agencies focus on countries where private capital will not go, and if the World Bank is to increase its energy lending, will an energy affiliate offer a more effective vehicle for doing so?

A number of points relevant to the above emerged in the discussion. The existence of multilateral lending will not change exploration risks, which the oil companies can handle best. The World Bank could help finance resource development projects and national energy infrastructure. This might be particularly important where the level or type of indigenous resources could meet domestic needs but might not support exports, and thus might not attract private foreign capital. The development of some sort of expropriation insurance scheme, funded by the host countries and possibly housed in an existing international agency, such as the International Monetary Fund, attracted interest in the group. The group did not have sufficient time to discuss the world financial system, although this in no way was intended to downgrade the importance of this area.

### Summary

There was broad consensus in the group that the general direction of the Reagan administration's energy policy, with its reliance on the market, is correct and to be commended. This consensus reappeared throughout the discussion of broad issue areas. There were differences of opinion on specific points, such as the role of government in areas where energy might have national security importance, and the ability of the private sector to run very large investment risks, but these disagreements must not be allowed to detract from the consensus supporting the market orientation of the Reagan policy.

The group did not prepare a set of detailed policy recommendations. Those ideas that did attract some general interests in the group have been noted in this report. These tended to address the issues of appropriate responses to oil crises, where recycling dollars rather than physically allocating oil was seen as more promising, insurance schemes to cover nonmarket risks to overseas private investment, diversification of both international and domestic energy sources, but not necessarily achievement of self-sufficiency, and, as a general principle, reliance on the market, not government intervention, wherever possible.



George Quester



Joe Grieco

“There was agreement . . . that the Non-Proliferation Treaty remains a key instrument in the effort to halt the proliferation of nuclear weapons.”



## Discussion Participants

Chair, George Quester  
Rapporteur, Joseph Grieco

Warren H. Donnelly	James L. Malone
Lewis A. Dunn	Louis Nosenzo
Michael A. Guhin	Ben Sanders
Jo L. Husbands	Lawrence Scheinman
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## Discussion Report

This report, prepared by the rapporteur following the conference was not reviewed by discussion group participants

# US Nonproliferation Strategy

## Introduction

Over the course of the conference the group examined three clusters of subjects relating to the control of the international spread of nuclear weapons. First, the group reviewed, and evaluated the significance of several recent events affecting nuclear proliferation. Second, attention was devoted to an analysis and assessment of the emerging nonproliferation policies of the Reagan administration, an effort was made to identify the elements of continuity, and of change, in the Reagan approaches to nonproliferation, as compared to the efforts of the Carter administration. Third, discussion was conducted on current and future activities of international organizations in the field of nuclear nonproliferation.

## Current Situation

Several recent events were identified by the group as being significant in the nonproliferation issue area. Examined in this regard was the Israeli air attack upon, and apparent destruction

of, an Iraqi nuclear test reactor and research facility. This event — the first instance in which a state has applied military force directly and overtly against another state to forestall the latter's potential nuclear-weapons-development capability — was observed to have a number of possible consequences. First, this attack made clear that the further spread of nuclear weapons, or even the appearance of possible further weapons proliferation, is likely to cause new and intense international tensions. Second, the Baghdad-facilities formally came under the safeguards supervision of the International Atomic Energy Agency (IAEA), and the Israeli assessment that the facilities were directed toward military uses, in spite of this supervision, could draw into question the general efficacy of the IAEA nuclear oversight capabilities.

Another event noted was the announcement by the director general of the IAEA that the agency could no longer determine with confidence that certain nuclear activities of the Pakistani government were not oriented toward the acquisition of nuclear weapons. Such activities by Pakistan and other nations — activities which suggest but which are not clearly illustrative of an intent to acquire nuclear weapons — were considered by members of the group to reflect a possible new form of nuclear proliferation: the "near-acquisition" of nuclear weapons.

In addition to these events the group discussed other, more hopeful, trends. First, in spite of the disturbing events noted above, and in spite of the inability of the Non-Proliferation Treaty (NPT) Review Conference to produce a final document, no national government has indicated any inclination toward withdrawing from the NPT. Second, in the wake of the Israeli air attack, new interest was expressed by Israel in a Middle East nuclear-free zone, and the United States reported that it had begun discussions relating to such a zone with members of the region.

It was observed that the initiation of the construction of new nuclear power plants was decreasing worldwide. While the value of this trend from an economic viewpoint was not fully examined, members of the group did suggest that it mitigated the dangers of the ft, terrorism, and governmental diversion of nuclear materials, dangers inherent in the widespread use of nuclear power. Other members of the group cautioned, however, that the slowdown in the use of nuclear power might be confined to the developed countries, and that this slowdown

of nuclear power may not be as characteristic of the energy developments in certain developing countries possibly interested in acquiring nuclear weapons. If this were to occur, then, with a competition for nuclear sales abroad to offset the loss of domestic nuclear markets, developed countries might loosen proliferation controls. On the other hand, it was noted by members of the group that it has been precisely during the recent years, when nuclear exports have become more important to developed countries, that new efforts have been undertaken among them to formulate a joint set of guidelines to control the export of sensitive nuclear equipment and materials.

### **US Nonproliferation Policies**

Extensive discussions were conducted within the group on the nuclear nonproliferation policies of the Reagan administration as they have been articulated since the spring of 1981. Attention was devoted to comparing these policies with the efforts of the Carter administration, the foci of analysis within the group included the basic attitudes toward nuclear weapons spread, the preferred general strategy for nonproliferation, and such specific efforts as relations with other nuclear suppliers and the Nuclear Non-Proliferation Act (NNPA).

In terms of basic attitude, some members of the group suggested that the goal of halting the spread of nuclear weapons is as important in the Reagan administration as it had been during the Carter years. Other members argued, by contrast, that the recent pronouncements of the Reagan administration indicated a clear lowering of emphasis on nonproliferation. Group members holding the first assessment suggested that differences between the Carter and Reagan administrations are related to strategy and style of policy, and that they do not differ in assigning great importance to the goal of nonproliferation.

Concerning strategy, it was suggested that the Carter administration tended to place relatively greater emphasis on affecting the capabilities of possible proliferators to acquire the technology, equipment, and materials needed to produce nuclear weapons, while the Reagan administration is tending to place relatively greater weight on affecting the motivations of countries to obtain nuclear weapons. It was noted by many members of the group that this difference was a matter of degree — both administrations recognized the need to affect both the capabilities and motivations of nations to acquire nuclear weapons — but that it did make a difference in the resulting actions undertaken by the two administrations.

For example, it was believed within the Carter administration that a necessary component of an effective nonproliferation policy was to discourage the use worldwide of plutonium reprocessing. To attain this goal of plutonium-avoidance, the Carter administration sought to defer indefinitely the reprocessing and recycling of plutonium within the United States, it placed an embargo on the export of reprocessing technology, equipment, and materials to all countries, including our closest allies, and it sought to persuade US allies not to pursue plutonium technologies. According to some members of the group, this Carter strategy — focusing as it did on capabilities rather than motivations — was inappropriate, as it unnecessarily interfered with the activities of nations which already possess nuclear weapons, or which very clearly are uninterested in acquiring such a military capability. These members argued that it was the Reagan administration's recognition of the inappropriateness of the Carter plutonium-avoidance policy (which may have unnecessarily harmed relations between the United States and some of its closest allies) that led the new administration to change US policy on plutonium reprocessing. The Reagan administration no longer will prevent development within the United States of plutonium reprocessing capabilities. Also, it will permit the export of US reprocessing technology, equipment, and materials to countries which do not present a weapons proliferation risk and which do have a legitimate use for the export under review.

While some members of the group expressed approval of this change in US policy, others were critical of it. Those critical of the change expressed concern that it would in fact increase proliferation control problems, and that it would be perceived by many nations, including potential proliferators, as indicating a diminished nonproliferation effort on the part of the United States. These members expressed an additional concern that, by eschewing efforts to restrict plutonium-related exports, the United States is giving up a form of leverage over its allies on matters of nonproliferation. The members of the group supportive of the new policy responded to these criticisms by suggesting that the changes did not represent a slackening of interest on the part of the US government on proliferation matters, and that attempts to restrict the plutonium-related activities of allies have been counterproductive.

One potential policy change by the Reagan administration relates to recommendations it may make to the Congress concerning the Nuclear Non-Proliferation Act. Some members of

the group suggested that the administration should consider recommending revision of Article 128 of the Act, to no longer require the retroactive application of safeguards to nuclear cooperation agreements entered into by some governments before 1978. Proponents of this change within the group suggested that such a revision (in terms of proliferation risks) would be a relatively costless way for the United States to extract itself from the awkward position of seeming unfriendly toward several of its closest allies. These group members suggested that such a revision might also open up the possibility of reestablishing nuclear ties with potential proliferators, so that the United States might obtain new opportunities to dissuade these countries from pursuing the nuclear option. Opponents of a revision of the Act within the group suggested that such a change at this time would, rightly or not, lead to a world perception that the United States was less committed to non-proliferation. These members of the group noted that Article 128 also provided the United States an opportunity to demonstrate its strong commitment to the idea that all nations should submit their nuclear facilities to full-scope safeguards.

#### **The International Nonproliferation Regime**

The group examined the potentialities and problems associated with several international efforts in the area of nuclear non-proliferation. These efforts include the nuclear Non-Proliferation Treaty, the International Atomic Energy Agency, the Latin American nuclear-weapon-free zone (the Treaty of Tlatelolco) as well as a proposal for a zone in the Middle East, and cooperative arrangements among the nations which supply nuclear technology, equipment, and materials.

There was agreement among most of the members of the group that the NPT remains a key instrument in the effort to halt the proliferation of nuclear weapons. Within the group there was satisfaction that both Turkey and Egypt have recently accepted the Treaty, and hope was expressed that Spain might become a party to the NPT in the foreseeable future. At the same time it was recognized that several key states remained outside the NPT and that their nonparticipation weakens the Treaty.

A more complex assessment was made of the IAEA. On the one hand it was noted in the group that the IAEA performs many of its functions well, and it was recognized that the Agency cannot by itself be expected to stop any nation from acquiring nuclear weapons. Several members of the group, however,

suggested that the Agency is not performing entirely as well as might be expected. It was suggested\*that the IAEA might be unwilling to confront some nations in face of efforts to evade Agency supervision of certain nuclear activities, and it was argued that the Agency does not use its oversight resources efficiently. It was also suggested that the IAEA might be becoming an arena for North-South power struggles involving issues unrelated to nonproliferation, and that developed countries may become less committed to the IAEA as an institution (as distinct from its mission) if this "politicization" continues.

The group reviewed the status of the Treaty of Tlatelolco, while many members of the group were pleased to learn that the Reagan administration has brought the Treaty's Protocol I to the Senate for ratification, they were concerned that several Latin American countries were not yet parties to the Treaty. Prospects for a Middle East zone were reviewed, and several members of the group suggested that such a zone would be more feasible in the context of a more general peace settlement in the region. In the meantime, however, discussions about such a zone might be possible including Israel and even the more determined "rejectionist" Arab states, at least through the intermediary efforts of the United States.

Finally, the group agreed that coordination among nuclear supplier countries to control the most sensitive of nuclear technologies should be continued and strengthened. A member of the group suggested that one new form of restraint might apply to the training of nationals from near-nuclear countries in technologies relating to uranium enrichment, plutonium reprocessing, and heavy water fabrication, this form of control was judged to be problematic, however, since several near-nuclear countries already have, at the least, sufficient indigenous skills in reprocessing technology. It was noted that controls can be effective; for example, the decisions by the United States and Canada to stop supporting the Indian nuclear power program after the nuclear explosion of 1974 played an important role in slowing that country's nuclear program.





Kosta Tsipis

Tom Karas

“The United States should strive for more continuity in its arms control negotiating posture than it has in the past. Starting from scratch with each new administration places us in a disadvantage with the Soviet Union. Worst of all, it prevents long-term planning.”



## Discussion Participants

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## Discussion Report

This report, prepared by the rapporteur following the conference, was not reviewed by discussion group participants

## Military Competition in Space

The group began its discussion by agreeing that the question of whether space should be "militarized" or not is pointless: not only are the military forces of the United States and the Soviet Union already highly dependent on space systems, but even the most "peaceful" satellite has some military uses. For example, communications satellites can carry military or civilian messages equally well, information from weather satellites can be used to plan family picnics or military invasions.

The more interesting question proved to be whether the "weaponization" of space is inevitable. There was some discussion as to whether there is a useful distinction between "militarization" and "weaponization." Weaponization means actually putting weapons — devices that directly destroy something — into space. So far, no weapons are actually based in space. The 1967 treaty on outer space specifically prohibits placing "weapons of mass destruction" (most likely nuclear weapons) into orbit. In the mid-1960s the United States carried out some tests of an antisatellite system and the Soviets have conducted about 19 tests of a so-called "killer satellite." Up to now, though, weapons have not been stationed in space and antisatellite weapons that would be fired in-

to space are at a fairly primitive level

Some participants questioned whether the distinction between space systems that support the use of weapons on earth on the one hand, and on the other hand space systems that themselves are capable of destructive acts, was a useful one. Still, an important value of this distinction appears to be in its demarcation of a kind of threshold for future arms control agreements. Trying to control the military competition in an area where weapons can be prohibited, rather than in an area where they are in place and of perceived importance to the United States and the Soviet Union, might still be possible.

Some members of the group felt it important to indicate that even if satellites were not themselves weapons, if they were in some way militarily useful, they made space weapons more desirable because it might appear to the military advantage of each side to destroy important military targets (that is, satellites) of the other side. And each side must be concerned about the possibility that the other side would attack its satellites. Still, the group agreed to work with the "weaponization" distinction.

Before moving on to the weapons question, the group agreed that military space policy should be considered in the larger context of US interests. After some discussion, the group concluded that at least in the near term there were no important conflicts likely to arise between US civil and military space interests. The group agreed that past US efforts to promote international cooperation in space — including cooperation with the Soviet Union — should be continued.

The most serious concern expressed by several members of the group was the apparent absence of an overall, coherent, clearly defined US space policy.

### **US Military Interests and Vulnerabilities in Space**

The group considered circumstances in which the Soviet Union might want to attack US military satellites, and what this would mean to the ability of the US armed forces to carry out their missions. It turned out to be extremely difficult to find plausible circumstance in which a successful Soviet antisatellite attack appeared either probable or decisively advantageous to the Soviet Union.

For example, it is true that the United States relies on early warning satellites for the first alert that Soviet missiles have

been launched toward the United States. While on the face of it, it might seem useful for the Soviets to "blind" these satellites, in fact the very destruction of our warning satellites would in itself constitute a warning that the Soviets were up to something. Our nuclear retaliatory forces would go on alert, just as if the satellites themselves had sent the message in the absence of a "launch on warning" policy that would be adequate.

While the United States depends heavily on military communications satellites, it still has other ways of conveying the "Emergency Action Message" — of pushing the nuclear button, again, destroying these satellites would not spare the Soviet Union from a nuclear retaliation.

Once a nuclear war were under way, antisatellite weapons would not do the Soviets much good. A limited nuclear war in which the Soviet Union is allowed to pick off US satellites is extremely unlikely. In an all-out nuclear war, Soviet antisatellite launching bases would have been destroyed by US nuclear weapons — although the survival of its satellites in that case would not be of much use to the United States. In the absence of a plan to conduct "limited nuclear war," replacement of communication and intelligence satellites is not important.

In sum, the group agreed that there was not much point in devoting a lot of attention to the minor danger of an antisatellite attack in a case where our very civilization would be on the course to destruction. The group then tried to imagine scenarios short of nuclear war in which there was some advantage for the Soviet Union in attacking US satellites.

First of all, it was hard to conceive of a war between the United States and the Soviet Union which did not quickly escalate into total war. Nor did it seem plausible that the Soviet Union would intervene to destroy some reconnaissance satellite that the United States was using in a war involving Soviet client states. The risk of direct conflict with the United States would not be worth the limited military value of such an attack. Outside the Soviet Union and Eastern Europe, the United States has other reconnaissance methods to replace satellite data. (On the other hand, some suggested, the United States would not be too likely to start a war with the Soviets just because some important, but not vital, satellite was attacked).

Some concern was expressed about the possibility of nondestructive interference with US satellites — for example by the jamming of radio links between the ground stations and the

satellites. Here again, the potential problem does not seem to be of decisive importance. And in some cases, it will probably be easier to design satellites to resist radio jamming than it will be to jam them.

The members could agree that the "ground segments" of some military space systems may be more vulnerable to attack and disruption than the satellites themselves. Here again, though, it is difficult to imagine a Soviet attack on those ground stations that is not part of a general nuclear attack in which the space systems shrink in importance. Neither was the group alarmed about the potential of isolated terrorist attacks on ground stations

### **US Interest in Antisatellite Weapons**

In its recent strategic policy statement (October 1981) the Reagan administration affirmed its intention to proceed with development of an operational antisatellite weapon. The main line of US research in this area involves a device called a "Miniature Homing Vehicle." This 12" by 13" mechanism is designed to home in on the infrared radiation given off by a target satellite, then use its cluster of small rocket tubes to propel itself into the target at high speed. The Miniature Vehicle would be launched into space aboard a small two-stage missile, which would in turn be carried first to high altitude aboard an F-15 jet fighter. If it works as planned, it will be much superior to the present Soviet system consisting of a large satellite that must be launched into orbit by a heavy fixed-based missile.

The panel discussed the pros and cons of such a system. Several reasons were adduced in favor of it:

1. Since the Soviets have an operational, even if limited, anti-satellite system, the United States must redress this asymmetry. The Soviets should not have or be seen to have a military weapon that the United States does not, if only for psychological/perceptual reasons.
2. In order to deter the Soviet Union from attacking US satellites, the United States must credibly be able to attack Soviet satellites in reprisal.
3. On general principles, the United States should not deny itself any potentially promising line of development in military technology.
4. Military competition is just as inevitable in space as it has

been on land, sea, and in the air. we must play this (serious) game because history leaves us no choice.

5 We should have the ability, if possible, to deny important military assets to the Soviets in case of war. e.g., a US anti-satellite weapon could destroy Soviet ocean surveillance satellites that might otherwise facilitate Soviet air and sea attacks on US carrier task forces and on NATO shipping and navies.

6 For the United States at present, pursuing antisatellite technology is a relatively cheap step (compared with bombers, ICBMs, for example).

7 By building a system superior to that of the Soviets, we force them to compete in an arms race that we might dominate. they may have to spend resources in this competition that, if applied elsewhere, would add more to their military threat to the United States

8 If we are to defend against enemy antisatellite weapons, or if we are to design an adequately verifiable negotiated agreement to limit such weapons, we must have the thorough understanding of how they work that comes with full development

9. Bargaining chips We can only persuade the Soviets to enter into an equitable agreement on antisatellite weapons if they are persuaded that we will have an effective system in the absence of such an agreement

• Costs and risks of pushing ahead with antisatellite weapons include the following:

1 Building a *better* system than the Soviets may stimulate them to more quickly increase the threat they presently pose to US satellites while discouraging them from exploring an anti-satellite arms control agreement with the United States

2 The bargaining chip is transitory, soon it will become a system too far along to give up — and with which the Soviets will feel that they must catch up.

3 We cannot defend against a Soviet antisatellite weapon with our own antisatellite weapon the one does not directly counter the other. Rather, we would be relying on the deterrent power of the threat of reprisal. Whether the Soviets would

value keeping their own satellites more than they would value killing ours remains to be seen.

4 Other measures for making our satellites less vulnerable to attack are available: hardening (armor of some kind), maneuverability, keeping spare satellites in orbit or replacements on the ground.

5 An all-out arms race in antisatellite weapons could become very expensive to the United States as well as to the Soviet Union

6. It is hard to imagine a scenario or set of circumstances in which we engage in an antisatellite war with the Soviets but not a nuclear war, for this reason it is hard to imagine when we would use the weapon at all. Therefore, the weapon does not seem worth its costs.

7 The Soviets are not so dependent on their satellites that, on the whole, we could achieve a significant military advantage by attacking them

8 If we are most concerned about the survivability of our own satellites, then it may be possible to arrange an arms control regime which, on balance, does the job better than an unconstrained competition in antisatellite weapons. This argument was further developed in the discussion of possible antisatellite agreement provisions

### **An Antisatellite Limitation Agreement**

The group examined next the possibility of limiting the threat to US satellites by negotiating an antisatellite weapons limitation agreement with the Soviets.

The presently "operational" Soviet antisatellite weapon has limited capabilities and apparently low reliability, further testing could well improve this system, presenting the United States with a much more difficult task in trying to defend against attacks on its satellites. A treaty could be a way of providing greater security for US military assets in space, both in the short term and the more distant future.

The group examined the Soviet "Draft Treaty on the Prohibition of the Stationing of Weapons of Any Kind in Outer Space" submitted to the UN General Assembly in August 1980 as a possible model for such a treaty. The draft was found wanting in several respects: The definition of "weapons" is nuclear; in

fact, under this definition the United States would be allowed to test and deploy the "direct ascent" (nonorbiting) antisatellite system now under development in this country. The provision of the draft treaty banning attacks on the satellites of other nations appeared to repeat unnecessarily prohibitions already provided for in the Outer Space Treaty of 1967 and its protocols

The group agreed that negotiating an antisatellite treaty in a multinational forum such as the United Nations would be very difficult. The two parties most directly affected (the Soviet Union and the United States) could not satisfy their most urgent concerns, while many other parties would be likely to introduce extraneous or even damaging treaty provisions. The group decided that a bilaterally concluded treaty could make provision for later accession by other interested states, thereby preserving the multilateral approach to space issues now in effect. The group agreed that the fact that the Soviets have brought the issue to the United Nations certainly does not preclude the resumption of private, bilateral talks between the Soviets and the United States.

The group agreed that the ultimate US objective would be to improve the security of US (and Soviet) satellites by keeping the two sides as far as possible from the development, testing, and full-scale deployment of highly effective antisatellite weapons. Simply banning the deployment of such weapons, however, would not be sufficient, since verification of adherence to such a ban would be nearly impossible.

The group therefore agreed that the best prospects lay in seeking a verifiable ban on the operational testing of antisatellite weapons against targets in space, since no military would rely on weapons that they had not fully tested. The group agreed that any antisatellite weapons treaty would have to address two distinct classes of potential antisatellite weapons: "Dedicated" systems that would be developed and tested for the explicit purpose of being used as antisatellite weapons, and "nondedicated systems," i.e., systems developed, tested, and deployed for other purposes which, however, had ancillary antisatellite capabilities or could conceal an antisatellite weapon. The group concluded that in the case of "dedicated" systems a negotiated verifiable ban of their testing would be the best approach, while a possibly separate agreement specifying verifiable "rules of the road" for outer space could satisfactorily deal with potential threats posed by "nondedicated" systems to US and Soviet space assets.

The group recognized the great complexity of the issues and the considerable effort that would have to go into the negotiation of satisfactory and adequately verifiable treaties, and offered several suggested guidelines for negotiations towards such agreements.

1 Since in the short term the greatest threat is to low altitude satellites and it is, and would be in the future, posed by "dedicated" antisatellite systems, it may be useful to concentrate on a treaty that bans the testing and deployment of such dedicated systems. That would provide time, negotiating experience, and a measure of mutual confidence that could permit the two states to proceed with the second part of the treaty that would devise verifiable "rules of the road" aimed at barring the use of "nondedicated" systems in antisatellite activities

2 An antisatellite treaty should provide for a built-in mechanism for continuous review and updating of any treaties in order to keep pace with technological developments. Changes in treaty articles, especially those involving "rules of the road," might be adopted by an on-going joint review group, something like the Standing Consultative Commission of US and Soviet officials created for the SALT I agreements and put into effect as presidential executive orders. Such a group could also recommend more substantial updating of treaty provisions to be considered during periodic formal reviews of the treaty for Senate ratification.

3 Very great care should be taken to avoid dangerous loopholes in banned activities or in verification measures in a negotiated treaty. To this end, a US "red team" should carefully examine the treaty with an eye to finding either loopholes or possible clandestine measures which might subvert the purposes of the treaty, before the treaty is sent to the Senate for verification

4 Special attention should be given to the potential value of cooperative measures which might facilitate verification of the provisions of a treaty. One example might be an agreement to place "corner reflectors" on all satellites in order to make their tracking by the other side easier, another might be the specific identification of the tasks of satellites prior to or shortly after their launch. Such cooperative measures could both increase confidence in the treaty and reduce the costs of unilateral means of verification. For example, it might not be necessary to place sophisticated sensors on each satellite to detect whether or not they have been approached by other satellites in viola-



tion of some "rules of the road" provision

5 The United States should strive for more continuity in its arms control negotiating posture than it has in the past. Starting from scratch with each new administration places us in a disadvantage with the Soviet Union. Worst of all, it prevents long-term planning. Especially in the high technology area of the military competition in space, developments 10 years into the future must be foreseen and provided for. We must develop national institutions for conducting unified, mutually reinforcing arms control and weapons acquisition approaches that result in a coherent national defense policy.





Walter Clemens



Donna Beltz

“US-Soviet differences go far deeper than misunderstandings and do not stem merely from misperception. Still, enhanced mutual understanding is necessary for any real improvement in US-Soviet relations.”

## Discussion Participants

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## Discussion Report

This report prepared by the rapporteur following the conference was not reviewed by discussion group participants

## Future US-Soviet Relations

### The Present Impasse

Well-informed men and women, concerned for their own countries and anxious for all humanity, can disagree profoundly on the prospects of US-Soviet relations and how to improve them. More than in previous years our participants differed not only on present conflicts but on the importance of philosophical issues dividing East and West. Some asked how we can proceed at all with ameliorating US-Soviet tensions when we are separated by chasms of distrust and ideological hostility. Others, probably the majority, urged that we consider "bite-sized" steps that might reduce tensions and rebuild cooperation even while basic differences remain unresolved. However, even when we reached agreement in principle, as on the desirability of parity as a guide in strategic arms, sharp disagreements arose as to implementation.

All this points to a difficult and dangerous period ahead, one in which distrust, communication problems, the dynamism of military technology, aggrieved sensibilities, and insecurities will confound efforts to move again toward relaxation of tensions, i.e., the process of detente.

Detente collapsed due to the actions of both sides. Little can be gained from attempting to place exclusive responsibility on either party. Several factors contributed to the decline of detente:

1 The superpowers operate from divergent historical traditions and experiences, each pursues different goals. It was unrealistic to assume that these conflicting interests could be completely submerged by arms, trade, and other agreements or bear hugs at the summit

2 The Kremlin perceives the United States as reneging on trade accords and on SALT II, the White House sees Soviet adventures in the Third World and the Kremlin's arms buildup as conflicting with the spirit of detente

3 Though the Kremlin has given the Reagan administration several months in which to revise its campaign rhetoric, the new government in Washington has continued to pursue a strong anti-Soviet campaign, at least in its declaratory policy.

## Problems

### The Need to Resume Dialogue

Since the Soviet entry into Afghanistan high-level contacts between the superpowers have been sharply reduced. The Standing Consultative Commission continues to monitor SALT, but the promising exchanges of military delegations started in the 1970s have been discontinued except for the group that meets to review the agreement on avoiding incidents at sea. Congressional and nongovernmental exchanges have also been severely curtailed.

It is important for us to see how others see us: Lack of communication contributes to inaccurate perceptions on both sides.

While perceptions do not necessarily mirror reality, they constrain and guide political actors, becoming in this way part of reality. Thus, the alleged missile gap favoring the Soviet Union in the late 1950s contributed to the US arms buildup even though it was later judged to have been inaccurately perceived.

An analogous problem today may be the alleged "window of vulnerability" — the theory that the US retaliatory capacity could be seriously crippled by a Soviet first strike. Available data can be interpreted to support or reject this theory. But there seems to be no evidence that the Kremlin perceives such a "window" or is planning to exploit it. Meanwhile, US actions

to close the alleged window will surely shape Soviet perceptions of US intentions and will affect the reality of the strategic equation and shape Soviet perceptions of US intentions. Indeed, the Kremlin may perceive the window theory as a pretext for enhancing a US capacity for preemption.

### **Parity or Superiority?**

The United States sought and maintained strategic superiority for nearly two decades. Perceiving the Soviet Union's strategic weakness to be a serious disadvantage, the Kremlin launched a major effort in the 1960s at least to match the strategic capability of the United States. Indeed, Soviet military writings and actions can be interpreted to mean that the Kremlin seeks not just "coequal security" (as it claims) but superiority. The highest levels of the Soviet government disclaim any such intention, however, and reject the notion that Moscow seeks the capacity to fight and win a nuclear war. The Kremlin may well interpret US strategic plans, especially deployment of the MX missile, as components in a scheme to launch a first strike and prevail in a limited war with the West. Soviet spokesmen explain that their own nuclear and conventional arms buildup is needed to cope with threats from China and Europe as well as from the United States.

Most of our participants agreed that parity should be the underlying principle for future US-Soviet strategic relations. But they disagreed sharply about the present balance of power. Does it amount to parity or an imbalance favoring one or the other superpower? Should parity be defined in terms mainly of weapons or must it take into account other factors of power — alliances, economic strength, social cohesion, leadership?

### **Are Deep Cuts Feasible?**

Might it be feasible to reduce superpower nuclear arsenals by one-half, as suggested by George F. Kennan? Forces of that size would in principle be quite sufficient for purposes of deterrence, but there are many practical problems that would need to be resolved. Questions also arise as to whether the Kremlin would warm to such ideas any more than it did to the deep cuts first proposed by the Carter administration in 1977. Moscow, the Soviet participant suggested, might be receptive if practical details were explained and worked out in consultation rather than presented in a public relations campaign. He also stressed, however, the importance of consolidating the limits already agreed to in SALT II before proceeding to other accords. Many participants felt that Kennan's idea warrants further exploration.

### Can SALT II Be Saved? Should It?

Though SALT II has not been ratified, its limits and those of SALT I have been observed by both superpowers. What of the future? Some participants, including the Soviet, argued that SALT II must be the foundation of any future arms accords. The Soviet government considers that much time and effort have already been invested in SALT II and that it would be impermissible and unwise to reopen the many issues already dealt with in that treaty — from Backfire bombers to heavy intercontinental ballistic missiles (ICBMs)

An opposing view holds that time, circumstances, and the emergence of new military technologies make it desirable to start afresh

A middle view on this spectrum argues that SALT II should be seen as a building block to which new provisions can be attached, bridging agreements that bring the 1979 treaty into line with contemporary realities, converting it into a SALT II $\frac{1}{2}$  or SALT III

Cruise missiles, all participants agreed, present unique challenges to future accords. Their number and location will be difficult to verify, also their characteristics, for their range can be radically extended. If sea- and ground-based cruise missiles are deployed, some participants suggested, "arms control as we have known it" may become unfeasible and obsolete. Once cruise missiles are deployed, the nature of the US-Soviet strategic equation may be fundamentally changed, as happened after the United States commenced MIRV (multiple independently targetable reentry vehicle) deployment in 1970. As of 1981 there might still be time to halt the cruise-missile revolution in strategic affairs, if there is a political will to do so.

### Should the Anti-Ballistic Missile Treaty Be Saved?

Various technologies are being developed that could make ballistic missile defense more feasible than it was when the ABM limitations of 1972 and 1974 were signed. An *effective* ballistic missile defense (BMD) could go far toward reducing the vulnerability of land-based ICBMs to preemptive attack. It might also protect command centers and some civilians.

Despite the potential advantages of an improved BMD system, the fact remains that if one side deploys an extensive ABM, the other will probably follow, thereby degrading the offensive capabilities of each side and prompting each party to enhance the number and quality of its attack force. An

American ABM system would likely be viewed by other NATO partners as enhancing the prospect that a nuclear war would be fought in Europe, thereby reducing the sense of common cause. Rejecting the ABM provisions of SALT I would introduce severe strains into East-West relations and make future arms controls extremely difficult to achieve

### **Should Britain, China, and France Be Included in SALT?**

In principle all nuclear weapon states should be included in strategic arms limitation talks. Indeed, it is difficult to conceive how the Soviet Union can go very far toward arms limitations or reductions unless the arms of its potential adversaries are regulated. On the other hand, a successful outcome from negotiations involving four or five actors would be more difficult to achieve than from talks between just two sides. Beijing, our Chinese participant stressed, favors general nuclear disarmament, but believes that the superpowers must first reduce their arms. Moscow, our Soviet participant argued, can hold its own in negotiations with several antagonists, but would be reluctant to accept limitations that put the Soviet Union in an inferior position *vis-à-vis* a hostile coalition.

Given these complexities, most participants saw the most urgent task as limiting the arsenals of the two superpowers. The disparity between their forces and those of the other nuclear weapon states is so vast that it may be desirable and feasible to limit the US and Soviet forces first, and turn to the others later

### **Europe**

Relations between the superpowers and Western Europe also founder on questions of perception and intention. Why the Soviet buildup of SS-20 missiles? How large is it intended to be? What would the Kremlin give up if the West were to forego the countermeasures now planned? Soviet secrecy on these and other issues may well be counterproductive for Soviet interests

The United States, meanwhile, may fail to perceive the depth and breadth of the antinuclear movement now growing in Europe.

If the issues of SS-20s and Pershing II and ground-launched cruise missiles for NATO are not handled well by all concerned, there could be a backlash, especially in West Germany, harmful to Soviet as well as Western interests.

## Linkage

Should strategic arms accords be made contingent upon superpower actions in other arenas? Our participants held diverse views that spanned a wide spectrum.

At one pole is the view that favors active pursuit of linkage. This view posits that the Soviet Union is an expansionist power but sees nuclear arms as playing little or no useful role in its worldwide mission. By linking strategic arms control with Soviet activities around the globe the United States can restrain Soviet expansionism as well as control the strategic competition. Failure to apply linkage to strategic arms talks could result in uncontrolled military activity at the substrategic level.

A middle position along the spectrum holds that linkage is not desirable in SALT and should be avoided where possible, but that to attempt complete decoupling of SALT from other developments could cripple rather than aid the cause of arms control. The assumption here is that the American public will "link" no matter what. Political realism therefore dictates that the White House (and the Kremlin, if it wants strategic arms accords) must acknowledge the political context in which SALT takes place.

At the other pole is the view that strategic arms limitations are too important for global survival to be made contingent on other developments. To do so would be to ensure that SALT gets nowhere, for events such as Czechoslovakia (1968) or Afghanistan (1979-80) will derail whatever progress is made in the negotiations. Granted that the political context will inevitably condition the public debate, the US government should not demand and promote linkage of other issues with SALT.

## Can US-Soviet Competition in the Third World Be Contained?

The 1972 agreement not to seek unilateral advantage may serve as a guide for reducing US-Soviet conflict in the Third World. Perhaps, some participants suggested, there could be a further agreement not to dispatch combat forces from either superpower to the Third World, even if requested by host governments. But other participants felt that such accords would inevitably collapse as opportunities and crises arise around the globe tempting superpower intervention. In any event it would be difficult to establish workable distinctions between technical advisers and combat personnel.



Another approach urges that the superpowers forego their zero-sum orientation to the Third World and look for positive collaboration in arrangements complementary to the interests of East, West, and South. A major trade-off might barter peace, energy, and development.

## The Outlook

Ideological hostility between the United States and Soviet Union remains and seems to have become more intense in recent years. The Soviet Union reaffirms its commitment to national liberation struggles and revolutionary change while the United States edges toward a strategy, at least in declaratory policy, of global containment.

The arms buildup on both sides — general purpose forces as well as tactical and strategic nuclear — increases mutual fears and tensions.

Despite these dangers, the superpowers share a mutual interest in avoiding wars of any kind, limiting the spread of nuclear arms, reducing the human and other costs of arms competition, protecting our common environment from further degradation. Many Soviet and US citizens, as individuals, appreciate one another and seem to have many common values, values that are jeopardized by the present state of US-Soviet tensions.

## Recommendations

1 US-Soviet differences go far deeper than misunderstandings and do not stem merely from misperception. Still, enhanced mutual understanding is necessary for any real improvement in US-Soviet relations.

Communications and exchanges between the United States and Soviet Union should be increased and regularized on all levels. High level dialogues might be institutionalized making it possible to air grievances and points of mutual agreement without any particular agenda. Exchanges between congressional, military, and other specialist delegations should also be encouraged and facilitated. Special attention should be given to exchanges structured so as to enhance deeper understanding rather than superficial acquaintance.

Gratuitous name-calling and ideological rhetoric on the part of either or both superpowers should be avoided.

2 Granted the many difficulties in defining parity or establishing the nature of the strategic balance, the principle of parity should guide efforts to regulate the US-Soviet strategic equation. Establishment and maintenance of strategic parity would help stabilize the precarious balance of terror and afford some relief to the burdens that the arms race imposes on both countries. It might also help set the stage for meaningful limits on the other nuclear powers — present and potential.

3 It is urgent that the United States and Soviet Union limit their strategic arsenals even as all parties consider follow-on efforts to limit the arsenals of other nuclear weapon states.

Attention should be given to the question of whether the cruise missile revolution in strategic affairs could be avoided, perhaps by a moratorium akin to that in the protocol to SALT II. Existing ABM limits should be maintained. The limits established in SALT I and SALT II should be preserved and incorporated to the greatest extent feasible in a SALT II<sup>1/2</sup> or bridging agreement to constrain the arms competition while SALT III is negotiated.



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**The Multilateral Disarmament Process**, Sixteenth United Nations of the Next Decade Conference Report June 21-26 1981. 64 pp

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**NATIONAL AND INTERNATIONAL SECURITY/Detente Past, Present, and Future; Nonproliferation Regime; Defense Spending and US Security; International Energy Cooperation; Global Economic Crisis and Lending Institutions**. Twenty-First Strategy for Peace Conference Report October 10-12 1980. 80 pp

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**Nonproliferation: 1980s**, Vantage Conference Report January 29-February 3. 1980. 56 pp

**The Congressional Foreign Policy Role**, Occasional Paper 21 Clifford P Hackett November 1979. 28 pp

**International Development Strategy**, Fourteenth United Nations of the Next Decade Conference Report June 24-29. 1979. 52 pp

In addition, the Stanley Foundation is distributing the book

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